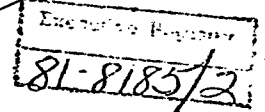


The Director of Central Intelligence

Washington, D.C. 20505

29 October 1981



MEMORANDUM FOR: The President
The Vice President
Secretary of State
Secretary of Defense
Counsellor to the President
Chief of Staff to the President
Deputy Chief of Staff to the President
Assistant to the President for
National Security Affairs

SUBJECT: The State of the Soviet Economy and the Role
of East-West Trade

The attached CIA paper identifies Soviet economic problems and assesses how economic pressures can be put on the Soviets. The Soviets now face serious problems in almost every sector of their economy and their need for Western goods will grow in the 1980s. What will contribute most to their ability to maintain their military buildup are:

- (1) Western plant and equipment to help on their severe productivity problem;
- (2) Western oil and gas equipment to find new resources;
- (3) specialty steels and large diameter steel pipe, pipe laying machinery and compressors which will help meet their energy problems and which, coupled with the commitment of financing and gas markets from Western European nations, will enable them to maintain their hard currency earnings; and
- (4) food, especially grains and meat.

I have asked the Intelligence Community to develop, against the background of this paper, a national estimate on the impact of a coordinated COCOM effort to:

- (a) make it as difficult as possible for the Soviets to continue to build their military capability, and
- (b) to pursue more aggressively the prevailing less sweeping policy of depriving the Soviets of strategically valuable technology, thus forcing them to do their own research and development.

William J. Casey

Attachment:
NFAC/OSA Paper,
"The State of the Soviet
Economy and the Role of
East-West Trade"

25X1

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